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Administrative and budgetary aspects of the financing of the United Nations Peacekeeping Operations

Practical aspects of wet-lease, dry-lease and self-sustainment arrangements

Report of the Secretary-General**

Summary

In paragraph 12 of its resolution 55/274, the General Assembly requested the Secretary-General "to review the practical aspects of the wet-lease, dry-lease and self-sustainment arrangements, including the effectiveness of the contingent-owned equipment procedures to ascertain the capacity of troop-contributing countries to meet the requirements for wet-lease and self-sustainment provisions of the contingent-owned equipment arrangements and the need to ensure the effectiveness of peacekeeping operations, including through a consistent implementation of the standards set out in the contingent-owned equipment manual, and to report thereon to the General Assembly at its fifty-sixth session".

The aim of the new contingent-owned equipment methodology is to improve the method of reimbursement to troop-contributing countries for their participation in peacekeeping operations, reduce unnecessary bureaucracy and simplify the planning and budgeting process by providing more transparency, thereby encouraging greater participation in peacekeeping.

* A/57/150.

** The document was submitted late to the conference services due to a requirement to process a maximum level of reimbursement amounts for the 1 September 2002 deadline.

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Since the implementation of the new contingent-owned equipment methodology, 298 contingent units have been deployed in 23 peacekeeping operations, of which almost all have been negotiated under the wet-lease arrangements. In the rare instances (fewer than 5 per cent) where a troop-contributing country requested to deploy under dry-lease arrangements, the Secretariat negotiated with other troop-contributing countries to provide the maintenance. The Secretariat is of the opinion that in many areas of operations, and as specifically concerns the practical aspects of the contingent-owned equipment methodology — e.g., speed of processing and settlement of claims, more accurate budgeting and improved mission planning and deployment — the new methodology has been a great improvement over the old one. Continuing efforts are in place to further improve the contingent-owned equipment procedures through training, process reviews and use of electronic data and information exchange.

The present report should be read in conjunction with the Secretary General's report dated 7 May 2002 entitled "Reform of the procedure for determining reimbursement to Member States for contingent-owned equipment" (A/56/939) which offered remedial proposals to streamline the contingent-owned equipment process in the following areas: memorandums of understanding, pre-deployment visits, verification of contingent-owned equipment and claims processing.

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I. Practical aspects of wet-lease, dry-lease and self-sustainment procedures

A. Financial aspects

1. The Secretariat notes that the contingent-owned equipment procedures are working well and have greatly simplified the process of reimbursement to Member States. This is achieved primarily through easier calculations of amounts payable, as costs in the categories of major equipment and self-sustainment, both on the basis of standard rates, are negotiated in advance between the troop contributor and the United Nations prior to deployment into a mission area. Thereafter, the calculations are based on a comparison of the agreed items with the deployed items and/or capabilities. Additionally, the new contingent-owned equipment methodology has been of tremendous advantage in the preparation of more accurate cost estimates because the cost of major equipment is based on the standard rates, while the estimated cost of self-sustainment is determined by the standard rate multiplied by the troop strength deployed.

B. Planning aspects

2. The Secretariat has learned from experience that proper lead time and advance planning greatly improve the effectiveness of the new contingent-owned equipment methodology, because the process of negotiation between the troop contributor and the Secretariat can be lengthy, and should ideally be completed in advance of deploying troops, major equipment and/or self-sustainment to the mission. Moreover, if the Secretariat is required to provide services in certain self-sustainment categories, or arrange for another troop contributor to provide such services, materials and/or major equipment, sufficient planning and lead time is required for all parties concerned to ensure that equipment and supplies can be bought and transported within planned timelines and at reasonable cost.

1. Issues noted

3. As an example of inadequate planning time, the Secretariat notes the experience of a large, complex mission in which equipment was "converted", from a prior non-United Nations mandated mission to the status of contingent-owned equipment under the new methodology. This type of conversion of equipment often occurs upon the establishment of a mission by the Security Council, without the troop contributors and the Secretariat having the opportunity to complete the negotiations. The inadequate planning time results in subsequent prolonged negotiations and discussions concerning what should have been deployed to meet the mandate of the mission versus what had already been deployed under a different mandate and is deemed not to be required to carry out the United Nations mandate. Consequently, not only is reimbursement greatly delayed, but logistical planning and the ability to fulfil the mandate are usually greatly impaired.

2. Steps taken

4. The Secretariat emphasizes the importance of the involvement of a troop contributor as early as possible in the planning stage of a peacekeeping mission. The new contingent-owned equipment procedures support this aim by giving the troop contributors a reliable framework in which they can determine potential logistical requirements and assess their capability to meet these requirements and the likely cost and benefits of alternative approaches. Equally important, the wet-lease system clearly defines the logistical support responsibilities of a troop contributor and places the onus on the troop contributor to ensure that it has adequate home-base support capabilities in place. Steps being taken by the Secretariat to ensure that the troop contributors understand the contingent-owned equipment methodology and procedures and that all parties agree on the logistical support requirements are discussed in paragraphs 14 and 15, 19 to 24 and 30 to 32 below. The aim is to ensure that the Secretariat has an integrated approach and position vis-à-vis the troop contributors and that the troop contributors fully understand their agreed obligations under the memorandums of understanding.

C. Response of troop contributors

1. Issues noted

5. The new contingent-owned equipment methodology does not in itself speed up the response of troop contributors to a Secretariat request for participation in a peacekeeping mission. The Secretariat continues to experience a delay in

determining the availability of potential troop contributors and in obtaining the agreement of host Governments to provide the required units. This remains one of the primary causes of delays in the deployment of troops and thus of potential problems during the establishment of a peacekeeping mission.

6. The Secretariat has also noticed that in complex missions, particularly in the start-up phase of a mission, when the troop contributors and the Secretariat are not yet fully operational, this difficulty is eased when a troop contributor is able, willing and prepared to undertake additional responsibilities at its own cost. Such a troop contributor, which provides additional troops, major and minor equipment and consumables at no charge to the Secretariat, is in the position of a "lead nation" that assists various other parties to accomplish some critical start-up tasks. The Secretariat has noted that in these situations, the lead nation is often able to help with services such as communication and the transport of major equipment from arrival point to the various sectors, which greatly enhances logistics during the first few months of the implementation of a mandate. The Secretariat acknowledges that the continued presence of such a troop contributor throughout the mission mandate is very beneficial and should be encouraged.

2. Steps taken

7. As concerns the speed of troop contributor responses, the Secretariat, in keeping with the recommendations of the Special Committee on Peacekeeping Operations,[1] is developing the rapid deployment level standby arrangements. The rapid deployment level is a level of commitment whereby resources pledged by troop contributors to the United Nations Standby Arrangements System can be deployed to a United Nations mission within 30 or 90 days of a Security Council mandate. The rapid deployment level differs from the other levels of standby arrangements[2] in that it has been tailored to enable both the Secretariat and the troop contributor to save time through detailed pre-deployment planning and preparation. This is achieved by converting agreed equipment lists into loading lists and by determining the proposed contingents' sustainment capabilities and requirements in advance. The main advantage is that the majority of issues are pre-negotiated, which reduces the time required to finalize the memorandum of understanding, deploy the equipment and process claims for reimbursement. The Secretariat encourages all troop contributors to participate whenever possible in the rapid deployment level. The Secretariat has also enhanced its preparedness for the rapid deployment level with the establishment of the strategic deployment stocks, which are now available at short notice, within the 30-day or 90-day period noted above.

D. Major equipment

8. Major equipment is a critical item in the contingent-owned equipment methodology. In this regard, there have been two fundamental issues for the Secretariat. The first is inconsistencies in the major-equipment methodology, involving the essential categorization of equipment and reimbursements rates. The second issue is variances in major equipment, which has to do primarily with the equipment negotiated versus the equipment deployed.

E. Inconsistencies in the methodology for major equipment

1. Issues noted

9. Major-equipment issues found consistently throughout missions relate to the absence of a standard reimbursement rate for a particular size of equipment — e.g., in the case of vehicles, for a water truck with a capacity of less than 10,000 litres. Likewise, the lack of a category for demining equipment (mine detectors, bomb suits and mine shoes) and for aviation assets has created issues and inefficiencies in all missions using such equipment. these cases are often dealt with individually as "special cases" and are often quite time-consuming.

10. Another issue that the Secretariat consistently faces concerns the categorization of major equipment. For example, the Secretariat has faced many problems with the categorization of military-pattern versus commercial-pattern vehicles, which are often aggravated by the difference between the reimbursement rates. Although the current contingent-owned equipment methodology defines commercial-pattern vehicles as those "readily available from a commercial/retail source" and military-pattern vehicles as "those specifically engineered and designed according to precise military specifications,"[3] in reality a time-consuming effort is required from staff of the

Secretariat, the field mission and the troop contributor to provide additional data in order to "negotiate" each case and determine to which category the major equipment belongs.

2. Steps taken

11. The Secretariat is compiling data on these various major-equipment issues and their frequency, with the intention of further analysing them and proposing solutions modifying the future contingent-owned equipment methodology. It is the intention of the Secretariat to rationalize and streamline these processes to the greatest extent possible and thereby ensure a consistent and transparent process. The Secretariat believes that most of these issues relating to the practical aspects of the contingent-owned equipment methodology should be recommended for inclusion in the agenda of the next session of the Working Group on Reimbursement of Contingent-owned Equipment, scheduled for January 2004, and that the issues should be discussed there and solutions formulated.

F. Variances in major equipment

1. Issues noted

12. The Secretariat has noted that in many cases the equipment negotiated in a memorandum of understanding is not the same as what is actually deployed. Differences have been found in both quantity (either more or less than the negotiated figures) and type (e.g., trucks of higher tonnage, or commercial- versus military-pattern support vehicles). The Secretariat has also noted some instances in which troop contributors have deployed unserviceable equipment or equipment that was neither requested nor negotiated in the memorandum of understanding. Similarly, some countries rotate the equipment during their participation in a mission, and the replacement equipment deployed may be significantly different in a manner that affects their operational capability in the theatre.

13. From the point of view of logistical support and potential impact on mission operations, deviations from the equipment agreed in a memorandum of understanding can have a significant effect on mission performance. For example, troop contributors' failure to deploy the agreed quantity and type of major equipment (e.g., military-pattern vehicles or generators) can place a very significant burden on the mission support services and interfere with a unit's capability to perform operational tasks until the problems are resolved.

2. Steps taken

14. When the equipment deployed is different from that agreed, the obligatory first step is a review by those immediately involved with contingent-owned equipment, to determine if the major equipment deployed in theatre is comparable to or substitutable for what was agreed in the memorandum of understanding. When all parties agree that it is comparable, or more suitable in theatre than the previously agreed equipment, the Secretariat may make an amendment to the memorandum of understanding, (possibly including re-categorization of the equipment for reimbursement purposes) and the claims process continues.

15. However, when one or more of the parties involved deem that changes to major equipment are unacceptable, negotiations are required between the troop contributor and the Secretariat, often mirroring the original negotiations and requiring time and resources. Consequently, variances in major equipment often delay the process of verification and certification of claims. Moreover, unplanned changes in major equipment present the mission with an immediate short-term logistical challenge, which is to provide the required equipment or find other units capable of assuming the operational task within a very short time. The long-term impact can often include increased maintenance and/or supply requirements for an already overburdened mission staff.

16. On the other hand, and on a more positive note, some troop contributors have chosen to maintain an overstock of up to 10 per cent of the agreed quantities in the mission area to ensure that their operational capability to fulfil their mandate is maintained.

G. Variances in self-sustainment

17. The self-sustainment component is the other critical item in the contingent-owned equipment methodology. In this regard, there is essentially only one main and consistent problem, that of standards.

1. Issues noted

18. The Secretariat has noted that troop contributors have agreed to self-sustain[4] their contingents in various categories, though in many instances they lack basic minor equipment or consumables, or do not conform to the standards approved by the General Assembly in accordance with chapter 3, annex B, of the 2002 Contingent-owned Equipment Manual.

2. Steps taken

19. In cases where a troop contributor fails to meet its self-sustainment capacity in a manner that may affect its effectiveness in carrying out the mission's mandate, steps are taken by the Secretariat to supplement and ease the situation. The solutions vary and depend largely on the mission, the timing and criticalness of the missing items, and the ability of the Secretariat (or other troop contributors) to provide the capability that is lacking. Solutions applied by the Secretariat are categorized into four options, as follows.

20. Option one is to provide the missing minor equipment from existing United Nations stock. For example, the Secretariat provides computers to some units to assist them in the office category and recovers the cost from the troop contributor.

21. Option two is to provide the missing equipment — e.g., refrigerators and freezer containers in the catering category or generators in the electrical category — through leasing arrangements with outside vendors. Under options one and two, the value of the equipment, or the leasing amount agreed upon with the vendor, is to be deducted from the troop contributor's share of self-sustainment reimbursements. The leasing arrangements are normally brokered by the Secretariat, primarily because the Secretariat already has a relationship with vendors, and also because of an apparent reluctance on the part of vendors to deal directly with troop contributors. Thus, while the self-sustainment is modular in concept, and each category or subcategory is considered a complete package, with reimbursement rates being indivisible, in the examples noted above the Secretariat has to assist the troop contributor in some way and to calculate the balance of the self-sustainment reimbursement accordingly.

22. Option three is to provide the missing equipment or services through negotiations with another troop contributor to assist in certain categories. In such cases, one troop contributor may provide the personnel, while another provides the materials or maintenance services for various self-sustainment categories, such as communication, office or minor engineering. Another example is the provision of catering services to a smaller unit by a larger unit to which the smaller unit may be attached for a time. In general, this option is comparatively efficient and economical.

23. Option four is the use of United Nations contracts with vendors to provide missing services, such as catering and laundry. This last option is employed by the Secretariat only when the pursuit of the other options does not bear fruit, as it always requires amendments to the negotiated memorandum of understanding and most often leads to a hasty and sometimes costly procurement exercise by the Secretariat.

24. Experience to date has also shown that the contingent-owned equipment methodology works best when the parties involved are fully capable and/or there has been adequate planning time. However, when the troop contributors do not all have a uniform capability as per the standards approved by the General Assembly for provision of the required levels of major or minor equipment, or when the variances in self-sustainment are unplanned, there is often a significant disruption of mission support and operations. For example, an infantry unit may be deployed to a large mission lacking observation equipment such as binoculars, night-vision goggles and global positioning systems, necessitating the quick deployment of another contingent's unit to take over the patrol functions pending resolution of the issue. This variance in the troop contributor's capability significantly affects the operational capability of the mission.

25. Variance in self-sustainment is where the concept of the new contingent-owned equipment methodology shows its major weakness, as the current standards in each self-sustainment category that were approved by the General Assembly are not equally attainable by all troop contributors. The Secretariat is examining and refining all options in preparation for its presentation of a position paper for the meetings of the Working Group on Reimbursement of Contingent-owned Equipment in 2004.

II. Steps taken by the Secretariat to ascertain the effectiveness of troop contributors in meeting the requirements of the contingent-owned equipment methodology

A. Pre-deployment visits

26. The Secretariat wishes to reiterate and emphasize that the effectiveness of troop contributors in carrying out their mandated tasks is greatly enhanced by pre-deployment visits.[5] The pre-deployment visit provides an on-site opportunity for the Secretariat and the troop contributor's staff to discuss and agree on the final structure, make-up and logistical support of the unit to be deployed. This is an essential function and a major improvement over previous procedures. The pre-deployment visit has become a very important step in ensuring that all parties fully agree to and understand the equipment to be deployed and the logistical support responsibilities of each party. Discussions during the visit provide sufficient lead time for the Secretariat and/or the troop contributor should alternative arrangements become necessary.

27. Pre-deployment visits provide opportunities to amend draft memorandums of understanding, thereby reducing future variances in major equipment and/or self-sustainment and improving the efficiency and speed of claims processing. Over the past two years, there have been almost 25 such visits, most resulting in changes to the draft memorandums of understanding and a reduction in the number of shortfalls experienced in missions. Moreover, additional explanations and clarifications concerning the requirements and responsibilities of troop contributors and the Secretariat, be they financial or logistical in nature, are provided during these visits by experienced Secretariat staff to personnel who will be deployed in the mission area in addition to those usually present in the negotiations in New York. The Secretariat notes that these visits have helped to reduce problems related to contingent-owned equipment and have significantly improved the speed and efficiency of claims processing.

B. Reporting

28. The Secretariat has been able to ascertain the capacity of troop contributors to meet the requirements of contingent-owned equipment through the various reports mandated by the General Assembly.[6] Two reports stand out as critical and most relevant in this regard. The first is the arrival and inspection report, which is processed within 30 days of the arrival of troops and/or equipment in the mission area. The mission personnel review the actual quantity, quality and type of equipment deployed to the mission area against the signed or draft memorandum of understanding or, where applicable and if the latter is not available, against the pre-deployment visit report. Initial variances, in both major equipment and/or self-sustainment, are immediately noted, and then steps are followed as referred to above in the present report — e.g., consideration of the available options to assist in minimizing or overcoming the shortfalls or variances is begun.

29. The verification report and/or the operating readiness report constitute the second reporting mechanism by which the Secretariat ascertains the effectiveness of a troop contributor in meeting the operational requirements of a mission and thus satisfying the terms of the memorandum of understanding. These reports, prepared by Secretariat staff in the field, refer explicitly to the capabilities of the troop contributor and the Secretariat in their fulfilment of the relevant requirements. Variances noted are dealt with as described in paragraphs 14 and 15 and 19 to 24 above. It should be noted that the Secretariat is moving quickly to implement electronic submission of reports (by the end of 2002) and further improve the overall process.

III. Steps taken by the Secretariat to enhance the effectiveness of troop contributors in meeting the requirements of the contingent-owned equipment methodology

Workshops

30. During 2001-2002, the Secretariat has conducted workshops for the military advisers and other officials of Member States' Permanent Missions to the United

Nations, aimed at providing an overview of the contingent-owned equipment methodology and procedures. A total of 75 representatives from 51 countries have participated. Based on the very positive feedback it has received, the Secretariat plans to conduct these workshops on a regular basis for the officials who rotate in the Permanent Missions. The Secretariat has also provided similar workshops and briefings for delegations from various countries as and when requested, where more detailed discussions, depending on the troop contributor's requirements, are conducted.

31. The workshops and briefings have helped to facilitate the memorandum of understanding negotiations, especially in the case of new troop contributors for which the contingent-owned equipment methodology has not been easily or immediately understandable; explanations of the methodology are thus valuable for them. In addition, new military advisers of Permanent Missions have an opportunity to pose questions on certain aspects of the methodology in which their country is especially interested.

32. The Secretariat has confirmed that when a troop contributor has been to a workshop, the submission of claims has been timelier and the required documentation more inclusive, thereby reducing the time taken to process a claim. The Secretariat has also noted that troop contributors that have been to the workshops or other briefings deploy their troops, equipment and/or self-sustainment capacity with more understanding of the rules and regulations of the contingent-owned equipment methodology. This increased ability and better understanding of the procedures and requirements of the contingent-owned equipment methodology are the overall aim of the workshops and briefings. It is evident that when troop contributors participate in workshops and briefings, there are fewer variances and shortfalls. This has led to a greater operational capability in fulfilling the mandated tasks in the field, with resultant efficiency in reimbursing the related claims.

IV. Steps taken by the Secretariat for the consistent implementation of the standards set out in the Contingent-owned Equipment Manual

A. Contingent-owned Equipment Manual

33. The standards discussed and approved by the General Assembly are noted in chapters 3 and 8 of the Contingent-owned Equipment Manual. The revised Manual (2002 version) reflects a consolidation of the recommendations of the Phase II, III, IV, V and post-Phase V Working Groups, as approved by the General Assembly, and provides procedures and clarifications, where required, on the implementation of these decisions. The 2002 edition was extensively reviewed by various sections and divisions of the Secretariat and by the Permanent Missions. It also includes a number of procedures, developed from experience gained in various missions, that have proved effective for the simple, transparent and consistent implementation of the General Assembly's decisions on contingent-owned equipment policies.

34. The Secretariat encourages the availability of the Manual in the troop-contributing countries with a view to helping the authorities concerned to understand the requirements and responsibilities set out by the General Assembly. This in turn will enhance the overall capabilities and effectiveness of the troop contributors. The Secretariat has also provided the updated Contingent-owned Equipment Manual to all staff whose functions relate to contingent-owned equipment.

B. Contingent-owned equipment conference

35. The Secretariat recently held its first contingent-owned equipment conference for peacekeeping mission staff in the field. The aim of the conference was to train field staff to apply standards consistently as set out in the Contingent-owned Equipment Manual, and thereby to ensure consistent and transparent application of procedures among all missions and troop contributors. Moreover, conference participants received training in connection with the approved processes, policies and procedures to be followed in applying the contingent-owned equipment methodology. The contingent-owned

equipment conference also provided training on the new contingent-owned equipment database being deployed, which standardizes the mandated reports (see paras. 28 and 29 above), thereby introducing consistent electronic reporting on the basis of which to make claim calculations.

36. Another aim of the conference was to provide an overview of the management of contingent-owned equipment units in the field and at headquarters so as to clarify their roles and structures. The conference also provided instructions and guidelines to participants on how contingent-owned equipment units should be staffed and structured in a mission, how to develop and produce an annual management plan for contingent-owned equipment activities and how to improve equipment recognition so as to facilitate inspections and reports. In the latter case, one outcome of the conference is the intention to produce an online contingent-owned equipment master list accessible to all potential users.

C. Standard operating procedures

37. The Secretariat is writing standard operating procedures in the areas of contingent-owned equipment claims policy, procedures and processing, to ensure consistent and transparent administration of all claims. A standard operating procedure already drafted concerns how and with whom memorandums of understanding should be negotiated. Other draft standard operating procedures are being drafted concerning the various calculations employed in claims processing, and are aimed at ensuring a consistent mathematical approach — e.g., in calculating deductions for periods of unserviceability. Yet another category of standard operating procedures being drafted concerns management issues — e.g., how to prepare a standard contingent-owned equipment management plan, how to effect accurate contingent-owned equipment budget planning and forecasting and how to develop and use management reports using the database now available. The majority of standard operating procedures should be finalized by the end of 2002.

V. Action to be taken by the General Assembly

38. **It is recommended that the General Assembly take note of the present report.**

Notes

[1] See A/56/863.

[2] The United Nations standby arrangement levels of commitment are as follows: level one – list of capabilities; level two – planning data sheet; level three – generic memorandum of understanding; level four – rapid deployment.

[3] A/C.5/49/70, appendix I.A, para. 21.

[4] A/C.5/49/66, annex II, para. 12, defines self-sufficiency as "A logistics support concept for troop contingents in a peace-keeping mission area whereby the contributing country provides some or all logistics support to the contingent on a reimbursable basis."

[5] The pre-deployment visit brings together experts from the Secretariat and/or the field missions who together go to the troop-contributing country to assess the unit's operational capability and assist the troop contributor in making adjustments.

[6] On the basis of the Phase III Working Group recommendation in A/C.5/49/70.